



Idaho Public Utilities Commission

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Case No. AVU-E-14-05 and AVU-G-14-01, Order No. 33130

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Commission adopts Avista rate settlement that leaves current base rates in place until 2016

BOISE (Sept. 19, 2014) – The Idaho Public Utilities Commission adopted a settlement of an Avista Utilities’ rate application that states the utility cannot increase electricity or natural gas base rates until Jan. 1, 2016, at the earliest.

Two customer credits that expire on Jan. 1, 2015 would have resulted in increases for both electric and natural gas customers, but the parties to the settlement proposed other means to make up for revenue lost due to the credits’ expiration. A commission staff investigation said the settlement, rather than a fully litigated rate case, is in the best interest of customers because Avista could have justified increases of about \$3.5 million in increased electric revenue and \$200,000 in natural gas revenue.

A one-time credit resulting from a previous agreement between Avista and the Bonneville Power Administration expires on Jan. 1, 2015, which would have resulted in a 1.3% increase. A second credit to natural gas customers also expires on Jan. 1, and that would have resulted in a 1.7% increase in natural gas rates.

Those increases were eliminated by using funds from a revenue sharing program Avista has with its customers. If the consolidated earnings from both Avista’s electric and natural gas sectors exceed 9.8%, half those earnings are deferred to future credits for customers the following year. If earnings are below 9.5%, Avista is allowed to apply previous years’ earnings’ deferral to move its earnings up to 9.5%.

The settlement applies a portion of Avista’s 2013 deferral for earnings above 9.8% (\$3.2 million) against the BPA credit expiration. The remaining \$713,000 in customers’ share of 2013 earnings is proposed to be applied against Avista’s annual Power Cost Adjustment (PCA) now before the commission in a separate docket.

The increase that would have occurred when the natural gas credit expires will be paid for by \$440,000 in revenue sharing and from a \$653,000 balance in the natural gas Energy Efficiency account.

The settlement provides that 80% of expenses (up to \$3.3 million) related to Avista's new customer information system, Project Compass, be deferred until 2016. That deferral is due in part to the uncertainty of the in-service date for the new billing and customer information system. The settlement also defers to 2016 a three-year amortization of \$1.25 million (\$418,000 per year) of expenses related to operations of the Coyote Springs 2 natural gas plant near Boardman, Oregon and the Colstrip 3 and 4 coal generating plants in southeastern Montana.

The settlement does not include increases that could come from Avista's yearly PCA or Purchased Gas Cost Adjustment (PGA). The settlement includes only base rates that apply primarily to Avista's fixed costs. The annual PCA and PGA, which can be either increases or decreases, track variable expenses that change yearly based on unpredictable factors such as wholesale electric and gas markets, water levels and fuel and transportation costs. Avista now has an application before the commission to increase the annual PCA by an average 4.2% (Case No. AVU-E-14-06) and to decrease its annual PGA by 2.1% (Case No. AVU-G-14-04). A decision on the PCA is expected by the end of this month and the PGA by the end of next month.

Parties to the base rate settlement agreement include Avista, Idaho commission staff, the Clearwater Paper Association, Idaho Forest Group, the Idaho Conservation League, Snake River Alliance and the Community Action Partnership Association of Idaho (CAPAI), which represents customers on low- and fixed-incomes.

CAPAI said the settlement was in the best of low-income customers and supported a requirement that interested parties meet before Oct. 14 to review Avista's conservation programs for low-income residential customers.

The Snake River Alliance also supported the settlement but expressed concerns about opportunities for public participation when rate cases are settled rather than fully litigated.

To view the commission's order in full or other documents related to this case, to go www.puc.idaho.gov. Under the "Electric" heading, select "Open Cases" and scroll down to Case No. AVU-E-14-06.

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